

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION



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TOBACCO PRODUCTS FURNISHED TO EMPLOYEES FOR OFF-FACTORY PERSONAL CONSUMPTION

Manufacturers of tobacco products:

Purpose. This industry circular is to advise you concerning the furnishing of tax-exempt tobacco products to your employees for off-factory personal consumption.

Background. Recently, we were informed of instances where manufacturers are not fully complying with the regulations relating to the furnishing of tax-exempt tobacco products to employees for off-factory personal consumption. In one instance, it was found that cigarettes were being removed, by the manufacturer, to places not covered by his bond for distribution to employees, and, in another, that when an employee goes on leave he is given 20 cigarettes for each day he is to be absent.

Regulatory Provisions. Section 270.231 provides (in part) that a manufacturer of tobacco products may furnish each of his employees, for off-factory personal consumption, not more than 5 large cigars or cigarettes, 20 small cigars or cigarettes, or 2 ounces of manufactured tobacco, without determination and payment of tax, on each day the employee is at work, and that such products shall be taken from the factory by the employee on the day furnished. Section 270.181 provides (in part) that every manufacturer of tobacco products shall keep records of his operations and transactions which will reflect for each day the information specified in Section 270.183. Section 270.183 requires the recording of tobacco products furnished for the use or consumption by employees off factory premises.

Compliance. In compliance with the provisions of the regulations, tax-exempt tobacco products may be furnished at the factory to an employee for off-factory consumption only for each day he is at work and such products so furnished must be removed from the factory by the employee on that day. The regulations do not authorize manufacturers to furnish tax-exempt tobacco products to an employee for any day he is absent from work. Moreover, the laws and regulations do not authorize manufacturers to remove tax-exempt tobacco products to places not covered by their bonds for distribution to employees.

Inquiries. Inquiries in regard to this industry circular should refer to its number and be addressed to the office of your assistant regional commissioner (alcohol and tobacco tax).

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